



Building sustainable supply chains for small farmers

BY DR ASAD ATA

In a world where the pursuit of profit has often taken precedence over environmental and social concerns, the need for sustainable supply chains has become increasingly critical. Over the past 12 years, my journey in the field of operations and supply chain management has provided me with valuable insights into the complex web of challenges and opportunities in this domain.

My focus on sustainable sourcing and supply chain management as an associate professor at the Asia School of Business (ASB) has also allowed me to witness firsthand the transformative power of socially responsible supply chains.

Trained as an operations researcher, my journey began with a deep dive into the science of optimisation. However, it was during my years in the industry, when I worked on diverse projects spanning telecommunications to e-commerce, that I discovered the intersection between my profession and its application in the food and agricultural sector.

Hailing from a family with a farming background, I realised that many of the world's most pressing issues, such as hunger, do not necessarily originate from production problems, but rather from supply chain and distribution challenges.

One striking project I was exposed to involved a situation in India where one state produced a massive surplus of wheat, while the rest of the country faced a dire need for it due to storage and logistical inefficiencies, preventing its distribution to other regions.

The post-harvest losses on fruits, vegetables and cereals before they reached the consumer were staggering. This experience underscored for me the critical role that logistics plays in food and agriculture supply chains.

My work in Southeast Asia exposed me to significant opportunities for enhancing supply chain efficiencies and highlighted the alarming supply chain talent gap. Small and medium enterprises (SMEs) were particularly vulnerable to disruptions, as exemplified by the Covid-19 pandemic.

My involvement with various supply chains, including poultry, bananas and vegetables, eventually led me to my current focus on oil palm, specifically on independent smallholders in southern Peninsular Malaysia.

WORKING WITH OIL PALM SMALLHOLDERS

In the context of the palm oil industry, small farmers contribute a substantial 40% of the global supply. The Centre for Sustainable Smallholders (CSS) in ASB is dedicated to safeguarding the interests of independent small growers and advancing ethical and responsible sourcing.

This is achieved through on-the-ground engagement and the implementation of good agricultural practices aimed at improving yields, all driven by rigorous research and practical application.

Small farmer communities face a myriad of challenges in establishing sustainable supply chains. In Malaysia, where over 16% of small farmers are independent smallholders, they often lack bargaining power, face competition from estates and have limited access to resources and knowledge, unlike scheme farmers.

These put them at a disadvantage in terms of selling their produce in a fair and transparent manner. Moreover, resistance to change, financial illiteracy and the migration of the younger generation to urban areas further compound these challenges.

Certification standards that focus heavily on compliance while lacking a clear value proposition for sustainability, coupled with the opaque

nature of the supply chains with several intermediaries, discourage many small farmers from adopting sustainable practices.

Addressing these challenges requires a multifaceted approach that combines certification, livelihood improvement and community empowerment through engagement, and developing a business case through sustainability.

SOCIAL AND ENVIRONMENTAL WINS

The CSS programme has achieved notable successes. It has facilitated the certification of 407 independent smallholders under the Roundtable on Sustainable Palm Oil's latest Independent Smallholder Standard.

What makes this more significant is that the groups are certified under Pertubuhan Tani Niaga Lestari Negeri Johor or Pertaniaga, the first association set up by independent oil palm smallholders in Malaysia in August 2021.

The first batch of 107 farmers have already received 100% of RSPO premium for the first year of their certified produce, with the remaining farmers joining them in 2023 and expected to receive 100% of the RSPO premium by the end of this year.

There are about 500 farms owned by these farmers. Through its process of certification, CSS ensures that 100% of these farmers are registered with the Malaysian Palm Oil Board (MPOB) and possess valid and active MPOB licences.

The implementation of Good Agricultural Practices through the learning farms have demonstrated a 33% improvement in yield over the first 18 months. These successes serve as a testament to the potential of socially responsible supply chains in improving livelihoods while promoting social and environmental sustainability.

SCALING THE PROGRAMME

The question of scalability is crucial when considering the replication of sustainable supply chain initiatives on a larger scale. While the CSS programme has made significant progress, it remains a bottom-up approach. The unique characteristics of each farming landscape and the varying challenges faced by small farmers necessitate tailored solutions.

A jurisdictional approach that allows for certification on a regional level may be a viable next step, provided it involves top-down participation and adapts the certification journey accordingly. Scaling up will require a collaborative effort involving government organisations, non-governmental organisations and industry stakeholders to ensure the widespread adoption of sustainable practices.

Looking ahead, the future of sustainable supply chains in the food and agriculture sector holds immense potential. Technology will continue to play a vital role in enhancing transparency and traceability in the supply chains.

While there have been calls for boycott or even replacement of palm oil, the alternatives do not offer a better social or environmental narrative and fail at scalability. Eventually, a multidisciplinary approach that provides for socio-technological solutions that empower the stakeholders while offering them a clear business case for sustainability will be key.

By addressing the challenges faced by small farmers and promoting innovative solutions, we can pave the way for a more sustainable and responsible future in the food and agriculture sector. ■

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References for this article will be published in the online version